

Understanding New Salary Thresholds for Overtime Exemptions: What Employers Need to Know

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The first increase in the amount that must be paid to allow an employee, whose job meets one of the “duties” test, to be exempt from overtime goes into effect, barring any court stay, on July 1, 2024. The salary thresholds are as follows:

Salary Threshold	Current	Phase One – Effective July 1, 2024	Phase Two – Effective January 1, 2025
Duties Test Exempt	\$684	\$844 per week (\$43,888 annually)	\$1,128 per week (\$58,656 annually)
Highly Compensated Employees	\$107,432	\$132,964	\$151,164

Up to 10% of the required salary amounts may be satisfied by **nondiscretionary** bonuses, incentive payments and/or commissions, if these payments are made at least annually.

Each pay period an employer must pay the employee at least 90 percent of the minimum required salary.

The Department recognizes that some businesses pay significantly larger bonuses; where larger bonuses are paid, however, the amount attributable toward the standard salary level is limited to 10 percent of the required salary amount for the workweek. Note, that this does not mean bonuses are capped. It only means that the amount an employer may credit against the weekly required salary is limited to 10%.

Example:

Employee A meets the duties test for an executive employee. Employee A receives a salary of \$795.60 per week and two production bonuses; \$1300 in June and \$2500 in December. As a result, Employee A’s total salary for the year is:

$\$795.60 \text{ (salary)} \times 52 \text{ weeks} = \$41,371.20$ amount paid in salary on a weekly basis.

$\$41,371.20 \text{ (salary paid)} + \$3,800 \text{ (Bonuses earned)} = \$45,171.20$ (salary plus nondiscretionary bonuses paid).

Employee A received \$795.20 per week on a salary basis, which is 90% of the required salary level. Employee A's salary and nondiscretionary bonuses total \$45,171.20, which exceeds the required salary level of \$43,888 (\$844 x 52 weeks) for that period. Because Employee A meets the duties test for an exempt executive and met the salary level requirements, Employee A is exempt from overtime pay for the year.

For a detailed exploration of these exemptions and how they intersect with state regulations, particularly in audits concerning misclassification of employees, [see our previous post](#) on the implications of New Jersey Department of Labor audits.

TAKEAWAY: In preparation for the upcoming changes in salary thresholds for overtime exemptions, employers should ensure compliance to avoid potential misclassification risks. If you have questions contact [Tracy A. Armstrong](#) or any member of the Wilentz [Employment Law](#) Team.

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